



YOUR
PARTNER
IN PLANNED
GIVING
SUCCESS



Real World Lessons From Real World Planned Gifts



Date: December 19, 2019

Time: 1:00 – 2:30 Eastern

Presenter: Jeff Lydenberg
Vice President



Agenda

- Difficult gifts, difficult donors
- Good gift annuities gone...meh!
 - ✓ Two case studies
- Managing planned gift expectations
- Charitable remainder trust follies
 - ✓ Two case studies
- Lessons learned from gift annuity audits
- A planned gift success



When Is A Gift, Not A Gift?

- “I’ve been shopping this gift around...”
- Dangling \$30M “gift”
- Incomprehensible terms and conditions
- In the nature of an investment
- Thanks, but no thanks.





Reasonable Gift, Unreasonable Donors

- \$5M retained life estate on luxury condo
- Donor/Trustee committed to mission
- Experienced philanthropists
- Complex, but well worth the effort
- One problem, complete the gift in 90 days, or else!
 - ✓ Made it with just days to spare!





Reasonable Gift, Unreasonable Donors

- Appraisers require specialized skills
- Objections, questions, changes, disagreements ensue
- Settled on appraiser, disagreement on appraisal
- Five (count 'em) sets of lawyers
- Charity expenses in excess of \$25,000 to close gift



Good Gift Annuities Gone...Meh!

- Lessons learned from completed annuities
 1. Large planned giving program, actively marketing and fundraising for CGAs
 2. No dedicated planned giving fundraisers, intermittent marketing and fundraising for CGAs
- Review terminated annuities for FY 2018-2019
- Timing, annuitant longevity, and risk concentration



Good Gift Annuities Gone...Meh!

Donor Name	Year of Death	Original CGA	Residua	Original date of gift	Residua as a % of original gift
Donor 1	FY 18-19	\$ 34,593.75	\$ 4,152.88	1/6/1999	12.00%
Donor 2	FY 18-19	\$ 50,000.00	\$ -	12/12/2001	0.00%
Donor 3	FY 18-19	\$ 102,313.98	\$ 103,263.12	10/23/2002	100.93%
Donor 4	FY 18-19	\$ 22,052.50	\$ 11,830.44	12/28/2005	53.65%
Donor 1	FY 18-19	\$ 29,527.88	\$ -	5/1/2006	0.00%
Donor 5	FY 18-19	\$ 15,000.00	\$ -	1/2/2008	0.00%
Donor 6	FY 18-19	\$ 10,608.00	\$ 772.98	6/27/2008	7.29%
Donor 5	FY 18-19	\$ 15,000.00	\$ 15,110.80	2/17/2009	100.74%
Donor 5	FY 18-19	\$ 10,000.00	\$ 6,745.24	8/4/2009	67.45%
Donor 5	FY 18-19	\$ 10,000.00	\$ 6,140.57	1/27/2010	61.41%
Donor 7	FY 18-19	\$ 100,000.00	\$ 78,332.55	11/11/2011	78.33%
Donor 6	FY 18-19	\$ 10,000.00	\$ 6,848.43	12/18/2013	68.48%
		\$409,096.11	\$233,197.01		57.00%



Good Gift Annuities Gone...Meh!

- Seven annuitants, twelve contracts
- Gift dates from 1999 to 2013
- 57% of original gift left at termination
- Can't control timing of gift
- Can't control annuitant mortality





Good Gift Annuities Gone...Meh!

Donor Name	Year of Death	Original CGA	Residua	Original date of gift	Residua as a % of original gift
Donor 1	FY 18-19	\$ 26,100.00	\$ 2,610.14	6/19/1998	10.00%
Donor 1	FY 18-19	\$ 28,423.50	\$ -	1/19/1999	0.00%
Donor 1	FY 18-19	\$ 30,225.82	\$ -	1/5/2000	0.00%
Donor 1	FY 18-19	\$ 15,000.00	\$ -	2/2/2001	0.00%
Donor 1	FY 18-19	\$ 15,286.50	\$ -	9/12/2002	0.00%
Donor 1	FY 18-19	\$ 20,059.96	\$ -	12/13/2002	0.00%
Donor 1	FY 18-19	\$ 10,000.00	\$ -	2/3/2003	0.00%
Donor 1	FY 18-19	\$ 10,268.00	\$ -	12/12/2003	0.00%
Donor 1	FY 18-19	\$ 10,103.00	\$ -	12/13/2004	0.00%
Donor 1	FY 18-19	\$ 20,000.00	\$ 26,404.90	12/12/2008	132.02%
Donor 1	FY 18-19	\$ 30,000.00	\$ 25,554.53	9/4/2012	85.18%
	FY 18-19	\$215,466.78	\$ 54,569.57		25.33%



Good Gift Annuities Gone...Meh!

- Concentration risk
- One annuitant represented 10% of pool
- Increased mortality risk to the pool
- Modest annual addition of new annuitants
- Increase diversity of the pool





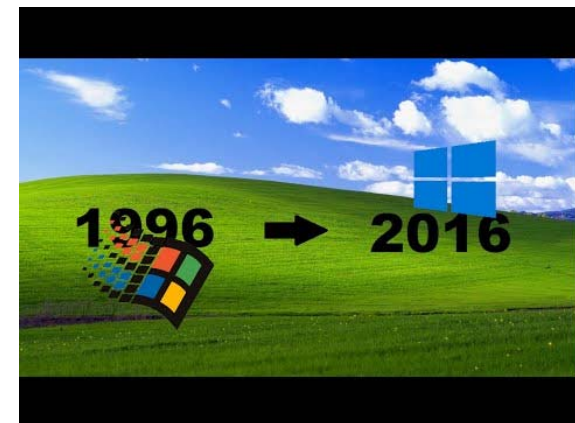
Setting Expectations Around Planned Gifts

- Charity's first CGA
 - ✓ \$1million
 - ✓ Higher than suggested ACGA rate
 - ✓ No permit from NY to issue annuities
- "This is a \$1 million gift! I saw the check!"
- Only gift is net of payments and returns after termination



Microsoft Charitable Remainder Unitrust

- CRUT funded with Microsoft circa 1996
- Self-trusted, after five years
 - ✓ Didn't sell and diversify
 - ✓ CRUT never made payments
 - ✓ Trustee never filed trust tax return (Form 5227)
- Institutional trustee and donor's attorneys called in to repair the damage





Where Goest Thee Capital Gain?

- CRUT 2011 with +\$1million
- Donors represented by counsel and accountants
- CRUT addition in 2014
- Been wanting to ask, why are we reporting part of our payments as capital gain income?
- Use care in marketing and negotiating tax consequences



Lessons Learned from Gift Annuity Audits

- Large non-profit, well funded planned giving marketing and planned giving staff
- Nearly 900 contracts in force
- No contracts for restricted purposes
- Robust marketing and fundraising efforts provides steady stream of new annuities year after year



Lessons Learned from Gift Annuity Audits

- Not registered with any state where required
- 20% of contracts in force funded with \$1,000
- Offered CGA rates higher than ACGA recommended rates
- Projected residuum of pool only 16.8% of gift amount





We Have Liftoff!

- Planned giving program launch with 100+ year old charity
- No “program” per se, but unexpected bequests often made their year!
- Built infrastructure, marketing plan, and legacy society
- One “welcome” letter increased known expectancies from one to eight plus five inquiries



Conclusion

- Donors can be demanding (but keep them happy)
- Beware strangers bearing “gifts”
- Go big or go home with gift annuities
 - ✓ Continuous, compliant, concentration risk
- Leave charitable trusts to independent, expert advisors
- Modest investment and attention can yield big payoff



Questions?





Still Have a Question?

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